

NHI Chairman's Report 3rd quarter 2012

Dear Shareholders,

On behalf of the Board of Directors of National Hospitality Institute SAOG ("NHI"), I am pleased to present to you the unaudited financial statements for the 3rd quarter ended 30th September 2012.

Financial Performance

The company has posted a consolidated loss of RO 20k for the period from the revenues of RO 607k against loss of RO 69k and revenue of RO 456k for the same period in the previous year. The revenues are 33% higher than last year. The new increased stipend payments to students of monthly RO150 have now started to be paid and YTD 2012 they have an impact of increasing sales by RO 94k through higher fees and on costs to the same amount. We are working with the ministry of manpower to ensure faster payments of our fees to counteract this higher cash outflow.

Environment

This quarter has seen an increase in Demand for Omanis to be trained for the hospitality industry in Oman, however the supply of candidates has been difficult due to all the other recruitment choices available in the public sector. In addition to this due to a decision to increase salaries for Omanis who have been trained, there has been a hold up in processes at the Ministry of Manpower. This has resulted in NHI not being able to start new students in September. This delay has caused our student occupancy to fall hence part of the current loss situation. Students are now expected to be enrolled in October which will improve the situation. On the private revenue, whilst we have increased sales for some courses over last year, some other have come in below budget. One in particular is our Fast Track training which is designed to be funded by employers looking to recruit quickly into lower paid jobs. Due to the movements in the market this has proved difficult this year hence the lack of Sales. However we are looking forward to a brisk last quarter where we believe we will stabilize the profitability.

There is still a severe shortage of local Omanis in the local hospitality industry and your company is working closely with employers to find solutions. Your company has been innovative in designing different methods of recruitment and training to allow the flexibility required by this sector. In addition to the fresh school leavers your company is promoting courses for those people already in work and who need to upgrade their skills to allow them to move on with their careers. Your company is also encouraging local

employers to improve the appeal of the hospitality industry and to proactively sell their jobs and opportunities to young people.

Whereas the ministry of Manpower remains a key customer, we have proactively approached several corporate companies to request sponsorship of training through their corporate social responsibility budgets. Your company attracts the interest of corporate by linking training to employment which provides tangible results.

Diversification

NHI continues to diversify its customer base and appeal to a broader range of clients. This quarter saw the launch of our distance learning management diploma. This is aimed at existing hospitality workers who do not have time to take off for study. NHI will act as a hub and examination centre for these qualifications. In addition to this we have launched the Harvard on line management programmes aimed at the travel and airport industry in Oman.

Forward Outlook

We continue to drive the development of our people to be attuned to the needs of the market and employ a flexible team dedicated to their roles. NHI owns a unique mix of skills which appeal to hospitality and non hospitality companies who like the constant innovation approach that they deliver. With the recent changes in recruitment and the need to hire semi skilled workers there is a growing need for strategic staff development programmes which your company can deliver. In addition to these your company now offers one stop shop for employers who require a mix of ministry funded training , fast track private training and direct recruitment. We believe that this will put us back on the path to profitability.

It is our sincere intention to act as a key facilitator at this critical juncture to meet the nation's Omanisation objectives in this sector. We can justly look back with some pride at the achievements of NHI and the contribution it has made to getting Omanis into meaningful jobs in the hospitality sector. We aim to leverage our experience and work with the relevant authorities to deliver on our part of the commitment made by his Majesty toward the people of Oman.

Tarik Al Said

Chairman

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INTERIM REPORT FOR THE PERIOD ENDED 30TH SEPTEMBER 2012

Unaudited balance sheet as at
30th September 2012

	Notes	9 months ended 30th September 2012 Amount Rials '000	9 months ended 30th September 2011 Amount Rials '000
Fixed assets		<u>47</u>	<u>69</u>
		<u>47</u>	<u>69</u>
Current assets			
Inventories	1	-	-
Trade Receivables & Prepayments	2&9	467	402
Receivables from Related parties		63	133
Investments	4	-	-
Bank and cash		53	19
Other assets		-	-
Current assets		<u>583</u>	<u>554</u>
Total assets		<u>630</u>	<u>623</u>
Current liabilities			
Trade Creditors		12	10
Accruals and other creditors		31	27
Payable to related parties		7	7
Bank loans and overdrafts	3	-	-
Current liabilities		<u>50</u>	<u>44</u>
Long term liabilities			
Bank loans	3	-	-
Staff terminal benefits		80	70
		<u>80</u>	<u>70</u>
Total Liabilities		<u>130</u>	<u>114</u>
Net assets	TOTAL -A	<u>500</u>	<u>509</u>
Shareholders' funds			
Share capital		500	500
Legal reserve		121	121
Exchange Reserve		3	4
Profit and loss account-b/f		(104)	(47)
Profit for the period		(20)	(69)
TOTAL-B		<u>500</u>	<u>509</u>

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Unaudited income statement
for the nine months period ended
30th September 2012

Notes	9 months ended 30th September 2012 Amount Rials '000	9 months ended 30th September 2011 Amount Rials '000
Turnover/Revenue	607	456
Cost of sales	(416)	(314)
Depreciation - cost of sales	(21)	(18)
Gross profit	170	124
Depreciation	(3)	(4)
Administration & general expenses	(203)	(203)
Operating profit / (Loss)	(36)	(83)
Finance income (charges)	-	1
Other income	16	13
Investment income	-	-
	(20)	(69)
Profit / (Loss) before taxation and minority interests	(20)	(69)
Taxation	-	-
Profit / (Loss) for the period	(20)	(69)
Minority Interest	-	-
Net profit / (Loss) attributable to Ordinary Shareholders	(20)	(69)
Dividend per share	-	-
Net profit / (Loss) margin-%	-3%	-15%

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Unaudited statement of cash flows
for the nine months period ended
30th September 2012

	9 months ended 30th September 2012	9 months ended 30th September 2011
	Amount Rials '000	Amount Rials '000
Cash from operations	(34)	(27)
Tax paid	-	-
Interest received /(paid)	-	1
Net cash from / (used in) operating activities	(34)	(26)
Net cash used in investing activities	(7)	(12)
Net cash from (used in) financing activities	50	(100)
Net increase / (decrease) in cash /cash equivalents	9	(138)
Cash and cash equivalents brought forward	44	157
Cash and cash equivalents carried forward	53	19

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Unaudited statement of changes in equity for the nine months period ended 30th September 2012	<u>Share Capital</u>	<u>Reserves</u>	<u>Proposed Distribution</u>	<u>Retained earnings</u>	<u>Exchange Reserve</u>	Amount Rials '000 <u>Total</u>
1 January 2012	500	121	-	(104)	3	520
Net profit /(loss) for the period	-	-	-	(20)	-	(20)
30th September 2012	500	121	-	(124)	3	500
1 January 2011	500	121	-	(47)	4	578
Net profit/(loss) for the period	-	-	-	(69)	-	(69)
30th September 2011	500	121	-	(116)	4	509

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Notes

1. Inventories

Inventories can be analysed as follows:

	9 months ended 30th September 2012	9 months ended 30th September 2011
	Amount	Amount
	Rials '000	Rials '000

NOT APPLICABLE

2. Trade receivables and prepayments

Trade receivables & prepayments can be analysed as follows

	9 months ended 30th September 2012	9 months ended 30th September 2011
	Amount	Amount
	Rials '000	Rials '000
Trade receivables	455	407
less:- Provision	(10)	(29)
Prepayments	22	24
Less: Provisions	-	-
	467	402

3. Bank loans and overdrafts

These can be analysed as follows:

	9 months ended 30th September 2012	9 months ended 30th September 2011
	Amount	Amount
	Rials '000	Rials '000
Bank loans	-	-
Overdrafts	-	-
Current maturities of bank loans & bank overdrafts	-	-
Long term element of bank of loans	-	-

The bank overdraft facilities bear interest at the rate ranging between 7% to 8% per annum.

The maturity of the bank loans:

	9 months ended 30th September 2012	9 months ended 30th September 2011
	Amount	Amount
	Rials '000	Rials '000
Due within one year	-	-
Due after more than 1 year	-	-
	-	-

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4. Investments in associates and subsidiaries

Associates

Investments in Associates are accounted for using the equity method.
 The Associates of National Hospitality Institute SAOG are as follows :

Company	30th September 2012	30th September 2011
	Holding	Holding
	%	%
	NOT APPLICABLE	

During the period Nil shares were sold for Rial Nil per share resulting in a profit of Rial Nil on disposal.
 During the period, Nil shares were purchased for Rial Nil per share.

Subsidiaries

Investments in subsidiaries are accounted for using the equity method.
 The subsidiaries of National Hospitality Institute SAOG are as follows:

Company	30th September 2012	30th September 2011
	Holding	Holding
	%	%
Nakshatra Hospitality India Pvt Ltd	100	100

During the period Nil shares were sold for Rial Nil per share resulting in a profit of Rial Nil on disposal
 During the period, Nil shares were purchased for Rial Nil per share.

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5. Investments

Investments include all long term and short term investments of the company, excluding only those associates and subsidiaries listed in Note.5. Marketable Securities are carried at their open market value.

Unquoted and other investments are carried at cost adjusted for any permanent diminutions in value.

Investments can be analysed as follows:

	Market Value 9 months ended 30th September 2012 Amount Rials '000	Market Value 9 months ended 30th September 2011 Amount Rials '000	Book Value 9 months ended 30th September 2012 Amount Rials '000	Book Value 9 months ended 30th September 2011 Amount Rials '000
Marketable securities				
Banking				
Investments				
Insurance				
Services		NOT APPLICABLE		
Industrial				
Government Bonds				
others				
Marketable securities-Foreign				
Banking				
Investments		NOT APPLICABLE		
Industrial				
Bonds				
Unquoted and other investments				
Unquoted omani shares				
Investment fund units				
Term deposits		NOT APPLICABLE		
Unquoted foreign shares				
others				

5a. Investment income (continued)

Realised

Realised investment income represents dividends, gains and losses on disposal of investments and other realised investment related gains and losses.

Unrealised

Marketable securities are recorded at their open market value. Movements in the carrying values of marketable securities are taken to unrealised investment income.

Interest

Interest receivable for term deposits and bonds is included in investment income.

Investment income can be analysed as follows

	9 months ended 30th September 2012 Amount Rials '000	9 months ended 30th September 2011 Amount Rials '000
Realised	-	-
Unrealised	-	-
Dividends	-	-
Interest on Term deposit & Bonds	-	-
	-	-

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6. Details of significant Investments

Details of all the reporting companies investment including Associates/Subsidiaries for which either the reporting companies holding represents 10% or more of the issuer share capital or the reporting companies holding exceeds 10% of the market value of the reporting companies investment portfolio are provided as follows as of 30th September 2012

	Holding %	No. of Securities	Market Value	Book Value	Cost
MSM Quoted Securities			NOT APPLICABLE		
Foreign Listed Securities			NOT APPLICABLE		
Market value as of 30th September 2012					
	Holding %			Book Value	Cost
MSM Unquoted Securities				NOT APPLICABLE	
Foreign Unlisted Securities				NOT APPLICABLE	
Total as of 30th September 2012					

7. Related parties & holders of 10% of company shares.

Holders of 10% or more of the company shares may include companies, individual, or families. Families are included if the shares of the family members total 10% or more of the companies shares. Members of the family of an individuals are those that may be expected to influence, or be influenced by, that person in their dealings with the company.

The nature of significant transactions involving related parties or holders of 10% or more of the companies shares or their family members and the amounts involved during the period were as follows:

Income items

	9 months ended 30th September 2012	9 months ended 30th September 2011
	Rials '000	Rials '000
Interest received	-	1
Services rendered	39	29

Expense Items

Items of expense which were paid to related parties or holders of 10% or more of the companies shares or their family members and the amounts involved during the period were as follows:

	9 months ended 30th September 2012	9 months ended 30th September 2011
	Rials '000	Rials '000
Management fees	20	20
Services availed	5	10

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8a. Loans, Advances, Receivables due, Provisions & write offs

Loans, advances or receivables due from related parties or holders of 10% or more of the companies shares or their family member minus all provisions and writeoffs which have been made on these accounts at any time, are further analysed as follows:

	9 months ended 30th September 2012	9 months ended 30th September 2011
	Rials '000	Rials '000
Receivable from related parties	52	102

9. Provisions

Changes to the level of provisions during the period can be analysed as follows.

Provisions for :	Adv & Receivables & Prepayments	Value of Investments	Others	Total Rials '000
Beginning balance of Provision	(6)	-	-	(6)
Provided during the period	(4)	-	-	(4)
(Released) during the period	-	-	-	-
(Written off) during the period	-	-	-	-
Provision balance as of 30th September 2012	(10)	-	-	(10)

The book value of assets before and after provision can be shown as follows:

Book value of Assets:	Adv & Receivables & Prepayments	Value of Investments	Others	Total Rials '000
Value of assets before provision	477	-	-	477
Provision balance as of 30th September 2012	(10)	-	-	(10)
Book value of assets as of 30th September 2012	467	-	-	467

10. Shareholders

The authorised and issued share capital is 1,000,000 shares of Rial 1 each. At the balance sheet date 50% of the issued capital was paid up.

All the shareholders of the company who own 10% or more of the company's shares and the number of shares they hold are as follows :-

	9 months ended 30th September 2012	9 months ended 30th September 2011
	No of shares	No of shares
Common Share holders:		
Renaissance Services SAOG	455	455
W J Towell & Co LLC	200	200
Preferred Shareholders:		
Nil		
	655	655